

ARTICLE 8 - CARCASS MERIT ADJUSTMENTS

Section 8.01

For purposes of this Agreement, the Carcass Merit Adjustment shall be the amount determined pursuant to Buyer's "Carcass Merit Buying Matrix." The "Carcass Merit Buying Matrix" shall be the prevailing carcass merit matrix offered at Buyer's plant at the time of delivery, changing as and when Buyer changes such matrix. Buyer shall give Seller thirty (30) days written notice prior to any changes or revision to Buyer's "Carcass Merit Buying Matrix." The matrix currently offered by Buyer is set forth in Exhibit D attached hereto. The Carcass Merit Adjustment shall be determined in respect of each load of Market Hogs delivered pursuant to this Contract and shall be included in the information in the "kill sheets" (as defined below), for each such load. The parties acknowledge that Buyer's current "Carcass Merit Buying Matrix" is based upon Buyer's current definition for a standard carcass, which is a carcass with 50% lean, carcass weight of approximately 188 pounds and yield (based on live weight) of a minimum of 74.0%, and that such matrix may be changed by Buyer from time to time and that such changes may reflect, among other factors, changes in Buyer's definition of a standard carcass. Other factors that could result in changes to the matrix may include, without limitation, changes in Buyer's instruments for determining lean percentage, size or yield. At present, both size and yield are determined by weight in pounds, and lean percentage is measured using a "Fat-O-Meater." Buyer agrees that no changes shall be made in such instruments unless the substitute instrument is considered by Buyer to be more accurate. Carcass weight for the purposes of this Contract shall mean the net weight of the hog carcass after passing USDA inspection and prior to chilling. Copies of the processing or slaughter reports prepared by Buyer ("kill sheets") for the hogs delivered under this Contract will be mailed to Seller within two (2) days of the hogs slaughter by Buyer and shall contain the information set forth in Exhibit E, attached hereto and made a part hereof. All weights referenced herein are to be taken from government inspected and certified scales.

ARTICLE 9 - PAYMENT

Section 9.01

Buyer shall pay Seller in full before the close of the first business day after slaughter. All payments shall be by mail to Seller's offices. Payments shall be deemed made when received at Seller's offices.

Should Buyer fail to make payments for a period of seven (7) days, Seller may suspend deliveries of hogs hereunder, but the exercise of such right shall be in addition to any and all other remedies to Seller.

Notwithstanding the above, at any time Buyer refuses delivery and/or fails to pay for hogs under this Contract, Seller has the right to sell said hogs on the open market to a third party.